ANTHES IMPERIAL LIMITED ANNUAL REPORT 1967

anthes imperial

Contents

Cover

The cover of this Annual Report features a photograph of Anthes Imperial's new Corporate Head Office building which is situated on International Boulevard adjacent to the Toronto International Airport.

ANTHES IMPERIAL LIMITED • ANNUAL REPORT 1967

Highlights	1967	1966
Sales	$97,200,000	$91,300,000
Income for year	4,690,554	4,520,911
Earnings per common share	2.00	2.05*
Dividends declared per common share	.64	.57
Number of common shares outstanding	2,159,158	2,131,984
Working capital	22,706,066	20,989,258
Total assets	$58,491,980	$55,267,232

*Based on average number of shares outstanding during year—2,015,517.
Unless designated otherwise, all figures in this report are expressed in Canadian dollars.

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THE ANTHES COMPANY

Anthes Imperial Limited is a diversified Company which provides products and services to important markets in Canada and the United States – construction, petroleum marketing, industrial, dairy and beverage dispensing, consumer, defence, office equipment and supplies. The Company participates in world markets through ownership interests in foreign companies and by exporting products from North America. Anthes Imperial's goals for corporate growth, enhanced earnings and financial stability are achieved through sound management practices with emphasis on long-range corporate planning and programs for acquisition and new product development.

The Corporate Symbol

The new corporate symbol of Anthes Imperial Limited which was introduced early in 1967 is now used extensively. The design, in the outline of an "A"—the first letter of Anthes—establishes a unified pattern of identification for Anthes divisions and by its pyramidal shape, suggests the strength and growth of diversified operations under the guidance of Anthes.

ANTHES IMPERIAL LIMITED

Directors

*H. N. Bawden
Director, Dominion Securities Corp. Ltd., Toronto, Ont.

*T. S. Drake
Vice-president, Corporate Planning, Toronto, Ont.

*C. B. Hill
Chairman, ETF Tools Ltd., St. Catharines, Ont.

C. E. Isard
Chairman, Isard, Robertson and Co. Ltd., London, Ont.

D. Lakie
Vice-president, Toronto, Ont.

*E. H. Orser
Vice-president and Treasurer, Toronto, Ont.

F. H. Sobey
Chairman, Sobeys Stores Limited, Stellarton, N.S.

J. H. Thomson, Q.C.
Partner, Miller, Thomson, Hicks, Sedgewick, Lewis & Healy, Toronto, Ont.

*Hon. G. S. Thorvaldson, Q.C.
Partner, Thorvaldson & Company, Winnipeg, Man.

J. C. Wallace
Senior Vice-president, John Wood Company, East Orange, N.J.

G. B. Waterman
Vice-president, Toronto, Ont.

*D. G. Willmot
President, Toronto, Ont.

*Member of Executive Committee

Officers

D. G. Willmot, President
T. S. Drake, Vice-president, Corporate Planning
D. Lakie, Vice-president
E. H. Orser, Vice-president and Treasurer
R. J. Stuart, Vice-president, Industrial Relations
G. B. Waterman, Vice-president
J. B. Jolley, Secretary and Counsel
M. C. Payne, Assistant Secretary-treasurer

Auditors

Clarkson, Gordon & Co., Toronto

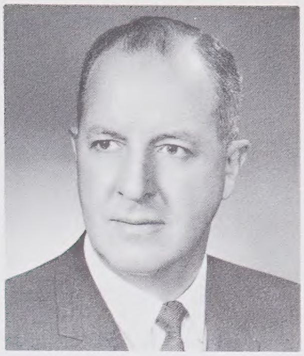
Registrar and Transfer Agents

National Trust Company, Limited—
Toronto, Montreal, Winnipeg, Calgary, Vancouver

Toronto Stock Exchange

Class A and B Common Shares
Series B and C First Preferred Shares

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS



D. G. Willmot, President

You have already received a preliminary report on 1967 operations and we now submit the annual report of the Company including the financial statements for the year ended December 31, 1967.

These statements reflect the results and positions of all divisions of the Company. Bennett-Italiana, S.p.A. became a wholly-owned subsidiary at the end of 1967 and its accounts are included in our consolidated statements for the first time. All amounts in the Company's financial statements are expressed in Canadian dollars unless designated otherwise.

Operating Results

Consolidated sales for 1967 of $97,200,000 represent an increase of 6.5% over 1966. Income for the year was $4,691,000 compared to $4,521,000 for 1966, an improvement of 4%. Earnings per common share in 1967 were $2.00 based on the number of common shares outstanding at December 31, 1967—2,159,158. In 1966 earnings per common share were $2.05, based on the average number of common shares outstanding during the year—2,015,517.

Market conditions during 1967 were such that maintenance of profit margins tested the management strengths of the Company. Our operating results are a good indication of the positive way in which the management team responded. The climate for the sale of many of the Company's products was more difficult than for several previous years. In Canada the level of construction activity was lower than in 1966. Selling prices of a number of our divisions' products and services were under pressure during the year because of lower demand and expanded capacity in the industries concerned. Divisions of Anthes Imperial Limited in common with other manufacturing companies in both Canada and the United States were also confronted with higher operating costs.

The pressures on profit margins which prevailed throughout 1967 were anticipated at the commencement of the year and an intensive profit improvement program was initiated throughout all divisions of the Company at that time. This had a marked favourable effect on profits which otherwise might have shown a decrease.

Although total volume for Canadian divisions showed a small increase, income earned in Canada decreased, principally in those divisions serving the construction and commercial markets. Total sales of the Company's United States divisions, overseas marketing subsidiaries and Bennett-Italiana increased in total over 1966 and represented 37% of consolidated sales in 1967. These operations, which include all consolidated activities outside of Canada produced increased profits.

Dividends

The annual dividend rate was increased to 68¢ per Class A common share beginning with the June 15, 1967 dividend. The dividends declared on the Company's common shares (both Class A and Class B) in 1967 consisted of a dividend of 13¢ for the first quarter of the year and 17¢ each for the remaining quarters, a total of 64¢. Dividends on Class B common shares were adjusted so that Class B shareholders received distributions equivalent to those received by Class A shareholders. This has been the Company's policy for some years and follows the respective share provisions.

Information is available from the Company's Secretary at the Head Office in Toronto which describes the rights and dividend arrangements attaching to the Company's Class A and Class B common shares and explains the income tax advantages to shareholders in certain tax brackets by holding Class B common shares.

Acquisitions

You have already been informed of the Company's purchase of 50% of the shares of Bennett-Italiana, S.p.A.

(formerly Bennett-Bergomi S.p.A.), thereby making this company a wholly-owned subsidiary. Further information concerning the business and operations of the company will be found in the "Report on Operations".

Shareholders were also notified recently that Anthes Imperial Limited has acquired all of the outstanding common shares of two Montreal companies, Seaway Storage Inc. and Seaway Cartage Limited. These companies offer a broad range of warehousing and distribution services to manufacturers, distributors and government agencies. We believe the Seaway companies, which occupy almost 1,000,000 square feet of warehouse space in Metropolitan Montreal, are the largest and most efficient of their type in Canada. We have conducted an extensive study of warehouse distribution services and are satisfied that this is a field which will grow rapidly, and which represents excellent opportunities for profitable activity. Our plans call for further diversification through introduction of these specialized services to other major centres in Canada.

Organization Changes

The markets and customer groups served by Anthes Eastern and Anthes Western Divisions have been quite similar to those for products manufactured by the John Wood Company plants in Toronto and Winnipeg. During 1967 the activities of John Wood in Eastern Canada, including its main plant at Toronto, were combined with those of Anthes Eastern plants at St. Catharines, Ontario, and St. Jean, Quebec. The new organization is known as Anthes Eastern Division. Similarly, in Western Canada, the John Wood Company operations at the Dublin Avenue plant in Winnipeg were joined with Anthes Western operations during 1967. The foundries at Edmonton, Calgary and Winnipeg together with the John Wood, Winnipeg plant now compose Anthes Western Division. In each case marketing and sales functions are now directed by a single sales management organization; administration and the management of production have also been combined. More effective sales effort and reduced organization and administration costs will result.

Head Office Location

In our report for 1966 we indicated that the Company's plan was to move its corporate head offices from St. Catharines, Ontario, to Toronto. A new Head Office building was constructed during 1967 at an attractive site adjacent to the Toronto International Airport at Malton and the move was completed in September. All of the Company's head office activities, including the Canadian Vice-presidents' offices, Treasury, Legal, Corporate Planning, Manpower Resources Department, and Eastern Region Computer Centre are now located at the new office. The convenience for both Divisional and Head Office personnel, together with improvements in communication between the various centres of our corporation's activities has justified this move. The cover of this Annual Report shows our new Head Office building.

The Effect of Economic Change—National and International

As a corporation with its origins in Canada, a substantial proportion of its operations in the United States and a developing business outside North America, Anthes Imperial Limited has a strong interest in economic affairs, both at national and international levels. The interdependence of the Canadian and United States economies and progress in the direction of the reduction of tariffs and other changes in trading relationships are most important to our Company's future. Up to the present, however, the balance-of-payments problems of the United States and the guidelines introduced to alleviate the problem, as well as the Canadian trade imbalance have not had any great impact on our Company's activities. The importance of Canada maintaining her competitive position, if Canadian industry is to play an adequate role in international trade in the future, is a matter of urgent concern to us.

During 1967 a group of financial and legal executives was assigned to the study of those portions of the Report of the Royal Commission on Taxation (Carter Report) which would likely affect this corporation. Our views were expressed in a brief which was submitted to the Minister of Finance and which placed its greatest emphasis on the unfavourable impact of the Report's recommendations on the ability of Anthes Imperial and other Canadian international companies to expand outside of Canada.

Our executives are keenly aware of their responsibility to express their views on matters of public interest which are properly the concern of a corporation such as ours.

Industrial Relations and Personnel

During the year relations between the Company and its employees at the various manufacturing plants were

maintained on a good basis. Two labour agreements were negotiated satisfactorily. Renewal agreements are scheduled for negotiation in several divisions and subsidiaries in Canada and the U.S. during 1968.

In 1967 total wages and salaries paid by the Company to its employees in Canada and the United States were $25,500,000. These figures highlight the contribution of our Company's activities to the economic life of the two countries and emphasize the important role of our employees. We wish to again express our appreciation for their contribution to the continuing growth and success of the Company.

Prospects for 1968

We expect that the level of economic activity in Canada in 1968 will reflect a rate of growth about the same as that of last year. Although Federal and Provincial governments are endeavouring to improve the rate of starts on new housing, the success of these efforts will depend in large measure on the availability of money from private sources. In other sectors of the construction market we expect that, at best, the volume of business will equal that of 1967.

Regarding the economic environment in the United States, we are slightly more optimistic. The rate of growth for the entire year should exceed that of 1967 by a modest amount and business conditions should be reasonably good.

Any predictions about these matters must be qualified because of great uncertainty concerning financial, monetary and international matters—in Canada the strength of our dollar, trade imbalances, taxation policy, interest rates; in the United States federal budgetary deficits, balance of payments problems, the course of the Vietnam war. In both countries the relentless forces of inflation are powerful and dangerous; the confidence of business and investors needs improvement.

However, our present judgment is that so long as these factors do not produce serious dislocation in the next few months Anthes Imperial can be expected to show some improvement in volume and profit in 1968.

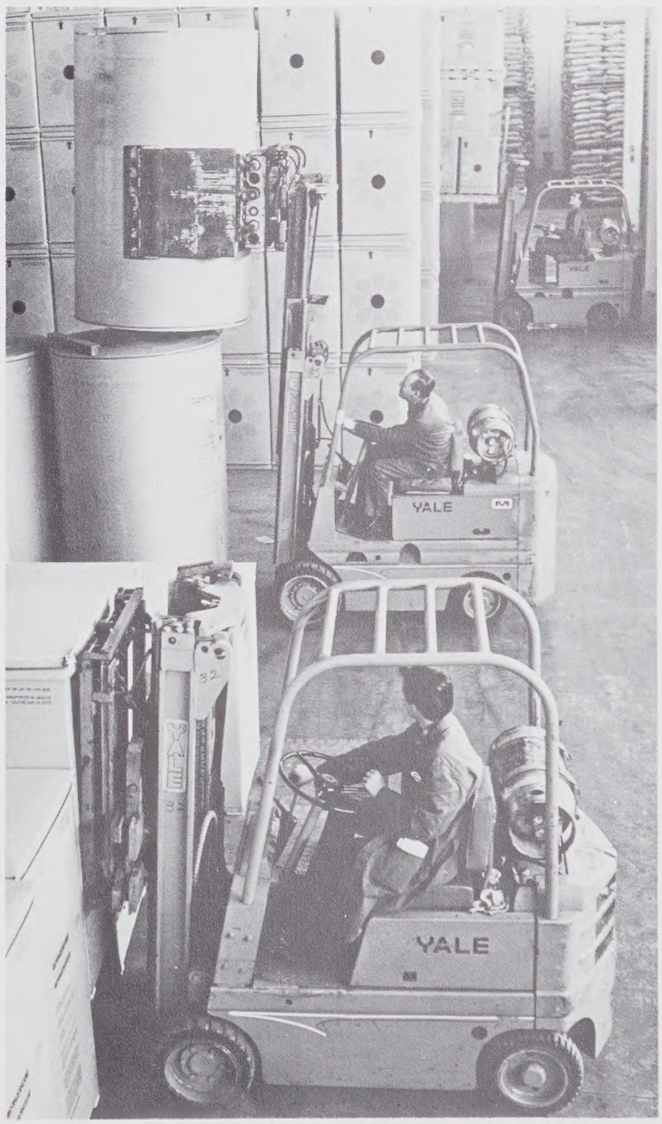
On behalf of the Board of Directors,

President

Toronto, Ontario, March 19, 1968.

Seaway Storage and Seaway Cartage provide a broad range of modern warehousing and distribution services.

Seaway's trained staff and specialized equipment ensure careful handling and efficient distribution of customers' products.



REPORT ON OPERATIONS – MARKETS WE SERVE

Construction

Canada — Canadian construction activity was lower in 1967 than in the preceding year. Although spending was up fractionally, physical volume fell slightly below 1966, with construction volume noticeably less in the commercial and industrial areas. Prolonged strikes in construction trades in Toronto and a curb on construction in Montreal because of Expo 67 resulted in greatly reduced activity in these two important metropolitan markets. Only the residential construction category showed improvement. Total spending was up moderately and housing starts improved 22% from 134,000 in 1966 to 164,000 in 1967.

The proportion of sales of construction-related products to the total sales of the Company was relatively unchanged at 44% compared with 45% in 1966. Generally unfavourable conditions in Canadian construction had an adverse impact on the profits of divisions serving construction markets. Continuing diversification within the "construction product" group has moderated the impact of volume changes in various sectors of the construction industry.

During the year Sarnia Scaffolds Division changed its name to Anthes Equipment in order to identify its activities more closely with the Anthes group of companies and to emphasize the broad nature of the activities of that division. Also, the Division moved its headquarters to Port Credit, Ontario, where all management and technical functions have been combined in one location close to the largest urban market in Canada. All locations of Anthes Equipment except Montreal and Toronto showed revenues and profits as high or higher than 1966. However, decreases in the two largest metropolitan markets were sufficient to reduce the Division's total revenue and income to a level below 1966.

Although the volume of steel construction in Canada was down 30% from 1966 Anthes Steel Products Division's shipments of open web joists increased slightly. This resulted mainly from growth in the use of open web steel joists in high-rise apartment buildings. However, the reduced volume of business in the structural steel industry resulted in lower prices. Because of this and less production of scaffolding for Anthes Equipment Division, the profit of Anthes Steel Products Division was lower than 1966.

Anthes Eastern and Anthes Western Divisions showed increases in soil pipe sales owing to a greater demand for mechanical joint pipe and fittings with its labour-saving features. Anthes Western Division in 1967 installed a permanent mold soil pipe machine to meet the increasing demand for 10-foot pipe. Sales of pressure pipe by Anthes Western Division increased in 1967 through higher demand for ductile iron pipe with its greater strength.

In 1967, with housing starts well up from the previous year the volume of warm air furnaces sold by Anthes Eastern and Western Divisions was satisfactory. These divisions continue to secure an increasing share of the new housing and replacement heating markets.

Both Anthes Eastern and Anthes Western Divisions are conducting foundry diversification programs in order to enable these divisions to produce certain automotive and custom castings. During 1968 an electric induction melting furnace will be installed in Anthes Western Division's Winnipeg foundry and this will produce ductile iron and alloy metals.

During 1967 the Toronto plant of Anthes Eastern Division (formerly John Wood Division) introduced the initial models of a line of large gallonage commercial electric and gas water heaters. Additional models will be added in 1968. Also, an oil-fired unit was added to the line of domestic water heaters. A complete range of models is now available for operation with electricity, natural gas, propane and oil. Despite a sluggish construction market, the total water heater sales volume improved moderately through better market penetration and profits increased.

United States — Although there was continuing weakness in residential construction in the U.S., the sales of the products of Industrial Products Division related to housing, rose moderately. The Division's volume continues to increase moderately in spite of lower levels of commercial and industrial construction.

Industrial

Canada — National Oxygen Division continues to operate at capacity with sales, income and return on investment being maintained at satisfactory levels.

Sales and income derived from tanks produced by Anthes Eastern and Anthes Western Divisions for industrial applications improved moderately in the year. In addition, there was increased demand for tanks produced by Anthes Western Division for agricultural markets.

United States — The volume of Industrial Products Division increased moderately as a result of higher sales of ASME compressed air tanks and hydro-pneumatic tanks and the introduction during the year of a newly designed portable space heater. Industrial Products

Superior Division's stainless steel beer barrels are filled at St. Paul brewery.

Division has recently commenced delivery of a new alloy pressure tank designed specifically for nuclear energy applications. A substantial number of these tanks have been ordered and further increases in volume are anticipated.

Petroleum Marketing

United States—The sales of Bennett Pump Division of John Wood Company were down slightly from 1966 but there was an improvement in income. This very satisfactory performance resulted from relatively stable selling prices and strict control of divisional costs and expenses. Development of new and improved products is continuing. A new gasoline pump featuring improved construction and new materials has just been introduced and is receiving excellent reception in the market. A money-operated gasoline pump was introduced in 1967. Because the market for self-service equipment is growing rapidly further prepay and postpay equipment is being developed. Also, current plans call for the introduction in 1968 of a pump which "blends" different octane gasolines.

Canada — Bennett gasoline pumps in Canada are manufactured in Anthes Eastern's Toronto plant and distributed by Anthes Eastern and Anthes Western Divisions. Improved market penetration and the introduction of a gasoline pump designed for the Canadian market resulted in higher volume in 1967. Sales and profits are expected to continue to improve.

Office Equipment and Supplies

In 1967, capital spending by business and institutions was much less buoyant than in the previous year and institutional construction increased only slightly over the previous year. As a result sales volume of the Office Specialty Division was little changed from 1966. However, very competitive pricing conditions and "start-up" costs of the expanded Holland Landing metal furniture plant accounted for lower earnings for the Division. Late in the year a newly designed line of contemporary steel desks was introduced. In addition, the line of desks featuring combinations of wood and steel was expanded. During 1967 the business system paper operations of Copeland-Chatterson Limited were fully integrated with the corresponding product lines of Office Specialty Division.

The name of Egry Business Systems Division has been changed to Anthes Business Forms Division in order to more closely identify the Division with Anthes Imperial.

The recently introduced 4000 series of Bennett Pumps features crisp styling, smooth performance and easy service.

Office Specialty's new Ventos line of flush steel desks and Shelfile lateral filing units improve office appearance and efficiency.

Manufacturing engineers time study production of new 100 gallon commercial electric water heaters at Anthes Eastern, Toronto.

During 1967 there were a number of changes in the Division, including extensive reorganization, additions to sales staff, and early in 1968 there will be substantial capital expenditures on new presses to improve efficiency. Sales volume increased over 1966 but profits were lower.

Dairy and Beverage Dispensing

Although the sales volume of Superior Division's commercial products was slightly reduced from the previous year, extensive cost reduction resulted in improved margins and income. Some of the volume reduction occurred through the elimination of lower profit product lines. During 1967 there was significant progress in development of new products, the most important of which are a stainless steel beer barrel, with cost and quality advantages for the brewing industry, and improved stainless steel tanks for carbonated beverage systems.

The sales volume and operating results of Multiplex Company of St. Louis were disappointing. Volumes in the industry are greatly affected by the promotion activity of the large soft drink syrup companies. New liquid dispensing systems and a frozen carbonated beverage dispenser were developed in 1967. The frozen carbonated beverage dispenser is the most technically sophisticated product development ever undertaken by this Division and considerable volume and growth from this new line is anticipated.

Consumer

The sales volume and income of Arco Automatic Retail Division continue to improve. During the year the smallest Arco branch in Ottawa was sold to permit concentration of effort on larger urban centres. The Division is now handling Canadian distribution of Mutliplex Company products.

Defence

Superior Division in 1967 delivered over $6,000,000 of defence material under contracts with the United States Government. Present contracts will result in a continuation of defence production through all of 1968. Income of the Division increased satisfactorily. The Division is now a prime contractor for defence material and has achieved a high level of performance in delivery and quality of product.

EXPORT AND FOREIGN AFFILIATES

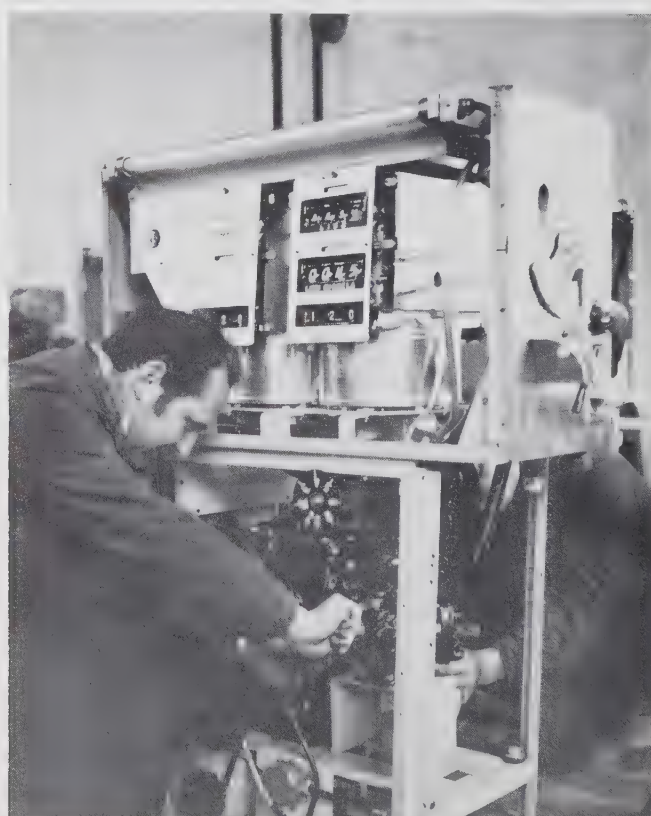
Bennett-Italiana, S.p.A. — The activity of our Italian affiliated company, Bennett-Bergomi, S.p.A. has consisted of the manufacture of gasoline pumps like those made by our Bennett Pump Division. Since the commencement of operations in 1964 volume has increased at a very satisfactory rate and by 1967 the company had gained a strong position in the Italian market. Its products are also distributed through a marketing affiliate, John Wood Universal, S.A. to certain other European countries and in areas of the Middle East. Late in 1967 Anthes Imperial Limited acquired the 50% interest in the Italian company owned by others and the company is now a wholly-owned subsidiary. Its name has been changed to Bennett-Italiana, S.p.A., and manufacturing and assembly operations are now conducted at Vanzaghello-Magnago, near Milan.

The wholly-owned foreign marketing companies—of Bennett products—John Wood International and John Wood Pan American enjoyed improved volume and income in 1967.

Overall income of affiliates in Mexico and Switzerland was down slightly from 1966, which was a year of extremely high activity. The interest of the Company in 1967 earnings of these foreign affiliates, which have not been included in consolidated net income, is approximately $70,000 before the deduction of withholding taxes which would apply to dividends.

Bennett-Italiana gasoline pumps are prepared for shipment to Italian and export customers.

Gasoline pumps being assembled at Bennett-Italiana's plant near Milan, Italy.



CORPORATE PLANNING – NEW PRODUCT DEVELOPMENT

As noted in previous annual reports, Anthes Imperial's plans include a strong interest in the United States with continuing emphasis on growth markets and products which have a higher element of technical sophistication. During 1967 the publication of the Report of the (Carter) Royal Commission on Taxation caused some uncertainties about the likely effect of future Canadian taxation on income derived by Canadian companies from direct investment in other countries. However, it is now unlikely that there will be such discrimination and Anthes interest in U.S. markets will continue.

Because of the nature of the products of Anthes and the markets we serve, it is important that the improvement of existing products and the development and introduction of new products should proceed at a good pace. Under the guidance of the Company's Corporate Planning Department goals for the introduction of new products on both a divisional and consolidated basis have been established and responsibility for the achievement of satisfactory rates of new product introduction clearly identified.

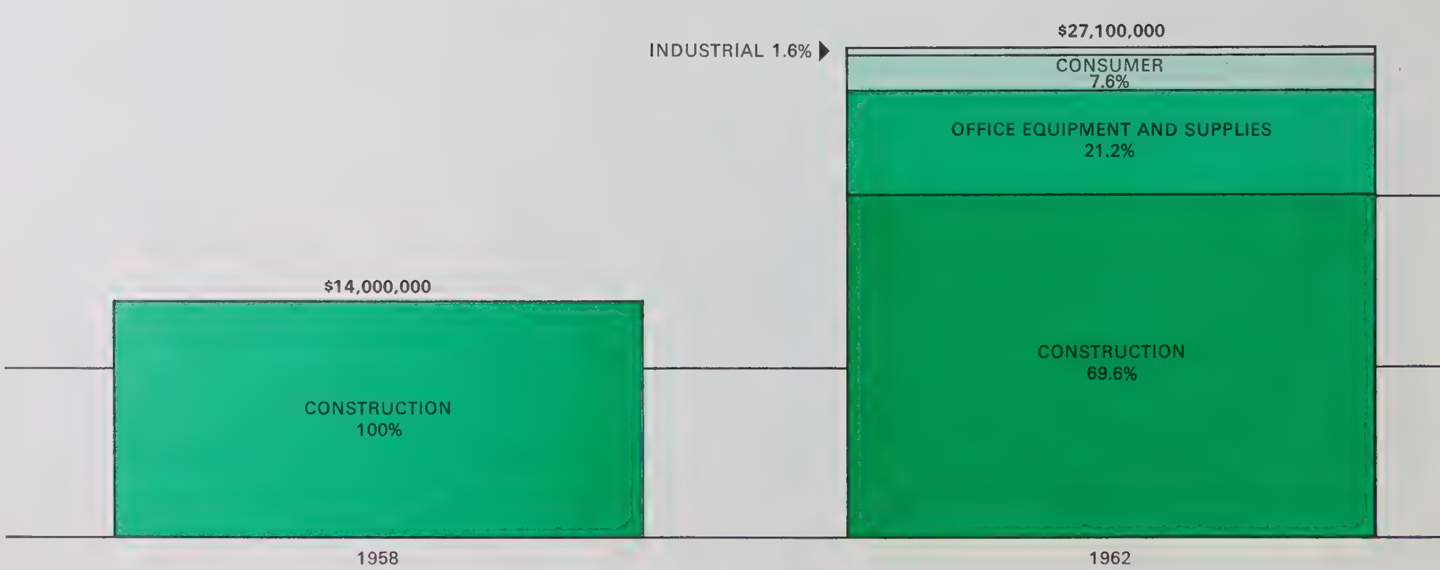
New frozen carbonated beverage dispenser undergoes tests at Multiplex in St. Louis.

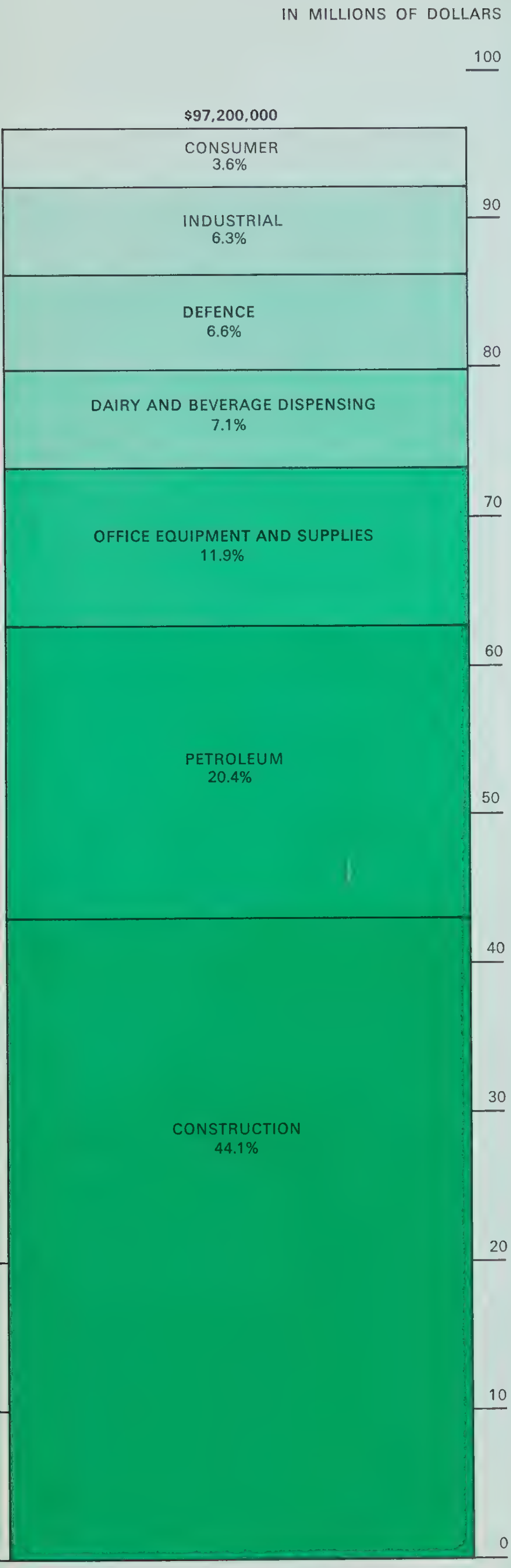
ANTHES IMPERIAL LIMITED

TEN YEARS OF GROWTH AND DIVERSIFICATION

These graphs present the growth of Anthes Imperial from 1958 to 1967. They illustrate not only an increase in total business volume of almost seven times during this period, but also the changing profile of the markets served by the corporation — the result of planned growth and diversification. In this ten-year period the Company has moved from complete dependence on products for the Canadian construction industry in 1958 to its position in 1967 when over 55% of its products were sold to markets other than construction and 37% of the Company's volume was outside Canada.

The markets served are a broad cross-section of the dynamic industrial economies of North America.





THE FUTURE

Anthes Imperial's purpose is to distinguish itself as a soundly managed diversified corporation. Its goals for growth and financial stability are established by continuous planning. These objectives will be accomplished through decisive action by an informed management.

The twin challenges of innovation and control in an international, multi-market corporation will be met by management with ingenuity and perspective. The Company follows the principle of decentralized management authority which is vital to the effective direction of a widely dispersed diversified company. Throughout all parts of the Company there is a strong framework of control and information relating performance to plan at every level of operation. Return-on-Investment is the foremost criterion of adequacy of operating results and measurement of spending and expansion proposals.

Management will continue to concentrate on new product development within the Company and the search for new business opportunities outside the Company. Acquisitions will be not only in areas complementary to present products and businesses but also in new fields in Canada and the United States. There will be emphasis on non-durable products and service industries with characteristics of market growth, satisfactory profit environment, and higher technological qualities.

FINANCIAL COMMENTARY

The consolidated sales of the Company for 1967 were $97,200,000 compared to $91,300,000 for 1966. Sales of Canadian divisions increased 5% while total sales of United States divisions, overseas marketing subsidiaries and Bennett-Italiana, improved 9%. Canadian divisions account for 63% of total consolidated sales and U.S. divisions, exports and the Italian subsidiary, 37%.

Income as a percent of sales was 4.83% compared to 4.95% in 1966. Income of Canadian divisions was lower, reflecting mainly the level of construction activity. Earnings of U.S. divisions continued to improve. Cash flow as indicated by the Consolidated Statement of Source and Application of Funds improved from $7,008,875 in 1966 to $7,286,205 in 1967—an increase from $3.29 to $3.37 per common share.

The Company's working capital increased during 1967 by $1,194,949 to $22,706,066. The working capital ratio at year end was 2.4 to 1, unchanged from last year.

Spending on fixed assets during 1967 totalled $3,242,747 (net) compared with $2,737,928 last year. The major projects in the year included: completion of a 90,000 square foot addition to Office Specialty Division's manufacturing facilities at Holland Landing, Ontario; additions to automatic vending equipment of the Arco Automatic Retail Division; construction of the new Head Office building in Toronto; additions to rental equipment of Anthes Equipment Division and construction of warehouses for that division in Halifax and Ottawa; substantial tooling expenditures for new products at Bennett Pump Division, Muskegon, and Superior Division, St. Paul, and expenditures related to new products for Multiplex Company, St. Louis.

Depreciation expense provided in the accounts decreased slightly to $2,286,429. Depreciation claimed for tax purposes continues to exceed depreciation recorded in the accounts of the Company. The result was an increase of $296,835 in "Deferred Income Taxes" compared with $126,345 last year.

"Investment in and Advances to Affiliated Companies at Cost" continues to include only the interest of Anthes Imperial in other corporations where such interest does not exceed 50%. The substantial reduction in the amount of such investment has resulted from the purchase by the Company in late 1967 of the remaining 50% interest in Bennett-Italiana, S.p.A. Because this Italian company is now a wholly-owned subsidiary rather than an "affiliate" its financial statements are now consolidated—one-half of its sales and income were included in the income statement in 1967.

Eastern Region Computer Centre at Head Office performs high-speed data processing for many of the Company's divisions.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended December 31 1967	1966
Sales	$97,200,000	$91,300,000
Income before deducting depreciation, interest on long term debt, and income taxes (including investment income of $178,046 in 1967 and $106,151 in 1966)	$12,201,894	$12,195,444
Deduct:		
Depreciation (note 2)	2,286,429	2,348,708
Interest on long term debt (including amortization of debenture discount)	624,911	625,825
	2,911,340	2,974,533
Income before income taxes	9,290,554	9,220,911
Income taxes	4,600,000	4,700,000
Income for year	**4,690,554**	**4,520,911**
Retained earnings, beginning of year	9,869,393	9,440,255
	14,559,947	13,961,166
Deduct:		
Dividends declared—		
Preferred Shares	372,157	382,452
Common Shares (including stock dividends on Class B shares and special tax thereon)	1,375,226	1,169,440
	1,747,383	1,551,892
Excess of purchase price of subsidiary companies acquired during the year over fair value of underlying net tangible assets	308,039	2,539,881
	2,055,422	4,091,773
Retained earnings, end of year	$12,504,525	$ 9,869,393

See accompanying notes on page 19

ANTHES IMPERIAL LIMITED (Incorporated under the laws of Canada) and its subsidiary companies

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1967

ASSETS	1967	1966
Current Assets:		
Cash and short term investments	$ 686,722	$ 2,831,103
Accounts Receivable	16,165,292	13,835,953
Inventories valued at the lower of cost or market—		
Raw materials and supplies	7,556,913	7,038,908
Work in process and finished goods	13,509,653	11,955,938
Prepaid expenses	522,387	309,079
Total current assets	38,440,967	35,970,981
Investment in and Advances to Affiliated Companies at Cost	699,024	1,032,882
Fixed Assets at Cost:		
Land	1,833,835	1,622,228
Buildings	12,214,568	11,295,775
Machinery and equipment	30,654,685	29,482,008
	44,703,088	42,400,011
Less accumulated depreciation	25,909,686	24,699,327
	18,793,402	17,700,684
Other Assets:		
Mortgages	260,052	293,755
Special refundable tax	178,210	136,218
Debenture discount and issue expenses less amortization	120,325	132,712
	558,587	562,685
	$58,491,980	$55,267,232

On behalf of the Board:

D. G. Willmot, Director

E. H. Orser, Director

LIABILITIES	1967	1966
Current Liabilities:		
Bank loans (secured)	$ 3,211,000	$ 1,900,000
Accounts payable and accrued charges	8,594,938	7,506,780
Taxes payable	3,217,277	4,799,730
Instalments on long term debt due within one year	360,400	409,400
Dividends payable	351,286	365,813
Total current liabilities	15,734,901	14,981,723
Deferred Income Taxes	1,594,998	1,298,163
Long Term Debt (note 3)	9,702,499	10,186,899
Shareholders' Equity:		
Capital		
Authorized (note 4)		
Issued and Outstanding (notes 5 and 6):		
7,800 5½% First Preferred Shares, Series A	780,000	810,000
19,045 5½% First Preferred Shares, Series B	1,904,500	1,972,000
40,962 5¼% First Preferred Shares, Series C	4,096,200	4,226,900
1,528,987 Class A, 630,171 Class B Common Shares	12,174,357	11,922,154
Retained earnings (note 7)	12,504,525	9,869,393
Total shareholders' equity	31,459,582	28,800,447
	$58,491,980	$55,267,232

See accompanying notes on page 19

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31 1967	1966
Source of Funds:		
Income for year	$ 4,690,554	$ 4,520,911
Non-cash charges deducted in arriving at income for year:		
Depreciation	2,286,429	2,348,708
Deferred income taxes	296,835	126,345
Amortization of debenture expenses	12,387	12,911
Funds derived from operations	7,286,205	7,008,875
Proceeds from issue of common shares for cash	252,203	150,940
Mortgage payments received	33,703	34,436
	7,572,111	7,194,251
Application of Funds:		
Cash paid on acquisition of interests in subsidiaries	606,025	1,389,652
Additions to fixed assets (net)	3,242,747	2,737,928
Dividends	1,747,383	1,551,892
Decrease in long term debt—non-current portion	484,400	484,400
Investment in and advances to affiliated companies (reduction)	26,415	(150,496)
Redemption of preferred shares	228,200	325,700
Special refundable tax	41,992	136,218
	6,377,162	6,475,294
Increase	1,194,949	718,957
Working capital, beginning of year	20,989,258	18,694,682
Working capital of subsidiaries at dates of acquisition	521,859	1,575,619
Working capital, end of year	$22,706,066	$20,989,258

Auditors' Report To The Shareholders of Anthes Imperial Limited:

We have examined the consolidated balance sheet of Anthes Imperial Limited and its subsidiary companies as at December 31st, 1967 and the consolidated statements of income and retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31st, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, Canada, February 8, 1968.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Foreign exchange:

The Company's U.S. dollar current assets and current liabilities have been translated into Canadian dollars at Can. $1 = U.S. 92.6¢. All other U.S. dollar assets and liabilities have been translated at the rate of exchange prevailing at the effective date such assets were acquired or liabilities incurred.

2. Depreciation:

Depreciation has been provided on the fixed assets of the companies in their accounts on a straight line basis at rates estimated to provide fully for the cost of the fixed assets over their useful lives, as follows:

Buildings	2½% and 5%
Machinery and equipment	10%
Construction rental equipment and vending equipment	12½% to 20%
Patterns, tools and dies	50%

3. Long term debt:

Anthes Imperial Limited:	
6% Sinking Fund Debentures maturing $190,000 annually, with balance due in 1982	$ 4,426,000
Term bank loan maturing in 1969—secured (U.S. $2,300,000)	2,485,699
Office Specialty Limited:	
4½% Serial Debentures, maturing $100,000 annually 1968 to 1970 inclusive	300,000
John Wood Company:	
5⅝% note maturing U.S. $180,000 annually, with balance due in 1977 (U.S. $2,640,000)	2,851,200
	$10,062,899
Less instalments due within one year	360,400
	$ 9,702,499

4. Authorized capital:

Preferred Shares (authorized less redeemed)—

$7,173,100 Cumulative Redeemable First Preferred Shares (71,731 shares of $100 each).

$719,725 4% Non-cumulative Redeemable Second Preferred Shares (71,972,519 shares of 1¢ each)

Common Shares—

5,000,000, Class A Common Shares without par value

5,000,000, Class B Common Shares without par value

5. Preferred shares:

The Cumulative Redeemable First Preferred Shares are redeemable, 5½% Series A at $103 per share. The 5½% Series B are redeemable at $104 per share to December 31, 1968 and the 5¼% Series C at $105.25 to December 31, 1969, and thereafter at reducing amounts.

Under the conditions attaching to the First Preferred Shares the Company is obliged under certain conditions to set aside on January 2 in each year in special accounts on the books of the Company as purchase funds exclusively for the Series A, Series B and Series C Preferred Shares respectively, amounts equal to 3% of the aggregate par value of all such shares originally issued. The amounts set aside as at January 2, 1968, total $228,200.

During the year the following First Preferred Shares were purchased for cash and cancelled: Series A 300; Series B 675; Series C 1307.

$355,900 par value of Second Preferred Shares (35,590,024 shares) were issued in 1967 as stock dividends on the Class B Common Shares and were subsequently redeemed for cash.

In accordance with Section 61 of the Canada Corporations Act $1,960,706 of the retained earnings shown has been designated in the books of the Company as capital surplus resulting from redemption of preferred shares.

6. Common shares:

During the year—

27,174 Class A Common Shares were issued for a consideration totalling $252,203 under the employee stock option plan.

44,470 Class A Common Shares were converted to Class B Common Shares and

78,880 Class B Common Shares were converted to Class A Common Shares, on a share for share basis.

At December 31, 1967, options to employees were outstanding in respect of Class A Common Shares for 1,578 shares at $7 per share, 16,200 shares at $20 per share, 975 shares at $21 per share, 8,100 shares at $22.25 per share. 22,245 Class A Common Shares are reserved for further options to employees.

7. Dividend restrictions:

Under the conditions attaching to the First Preferred Shares, Series A, B and C, and the 6% Sinking Fund Debentures, the Company in certain circumstances is prohibited from paying dividends, other than stock dividends. Under the most restrictive of these conditions, Common Share dividends may not reduce consolidated retained earnings to less than $1,750,000.

8. Employees' pensions:

Past service costs of employees' pension plans are being funded over periods not exceeding 30 years. The unfunded liability for such past service costs totalled approximately $2,700,000 at December 31st, 1967.

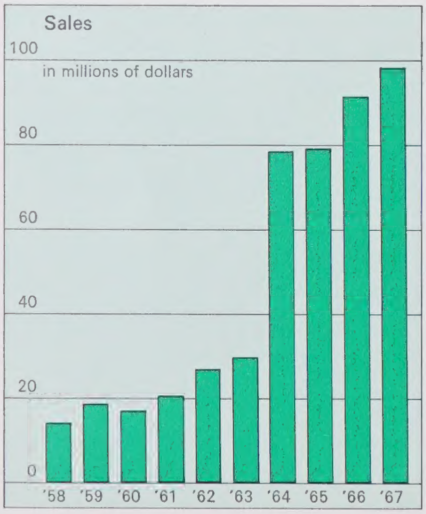
9. Directors' remuneration:

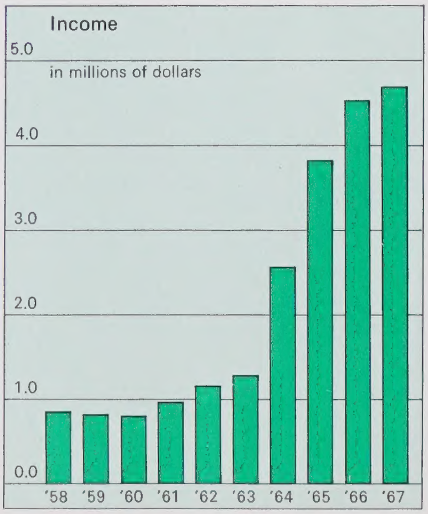
During the year remuneration paid to directors of the Company, including directors employed by the Company, totalled $347,156.

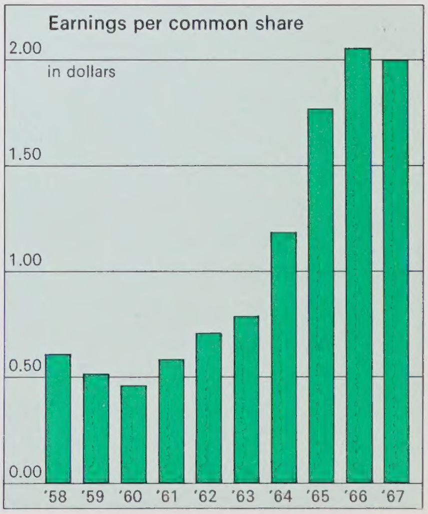
TEN YEAR COMPARISON

Operating Results	1967	1966	1965
Sales	$97,200,000	$91,300,000	$78,900,000
Operating income	12,201,894	12,195,444	10,653,740
Depreciation	2,286,429	2,348,708	2,033,882
Interest on long term debt (including discount amortization)	624,911	625,825	637,939
Income taxes	4,600,000	4,700,000	4,171,500
Income for year	4,690,554	4,520,911	3,810,419
Cash flow—funds derived from operations	7,286,205	7,008,875	5,995,075
Shareholders' Participation			
Dividends declared—preferred	$ 372,157	$ 382,452	$ 392,520
Dividends declared—common	1,375,226	1,169,440	965,512
Dividends declared—per common share*	.64	.57	.50
Earnings per common share*	2.00	2.05**	1.77
Cash flow per common share*	3.37	3.29**	2.90
Retained earnings	2,943,171	2,969,019	2,452,387
Common share equity	24,678,882	21,791,547	16,494,569
Equity per common share*	11.43	10.22	8.54
Number of common shares outstanding*	2,159,158	2,131,984	1,932,484
Balance Sheet Items			
Working capital	$22,706,066	$20,989,258	$18,694,682
Fixed assets (net)	18,793,402	17,700,684	15,395,501
Additions to fixed assets (net)	3,242,747	2,737,928	2,987,512
Total assets	58,491,980	55,267,232	46,327,424

*Adjusted to reflect the four for one subdivision of common shares in 1962 and the two for one subdivision of common shares in 1965.
**Based on average number of shares outstanding during year.

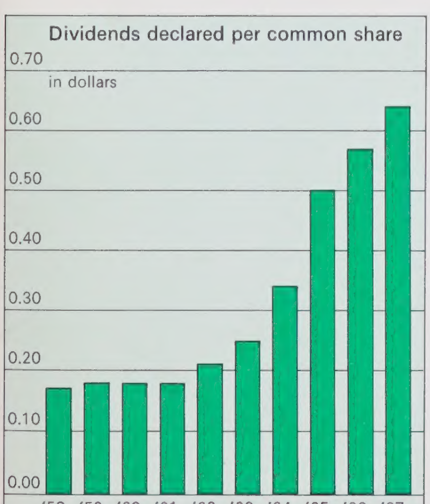


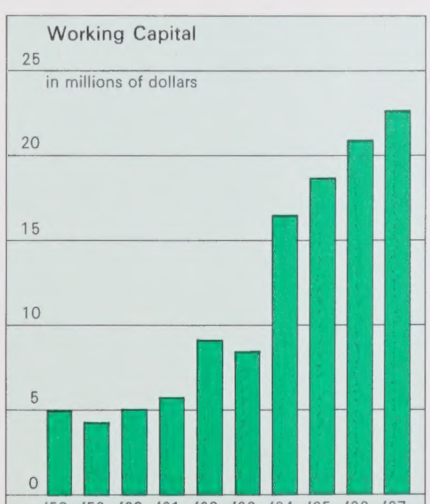


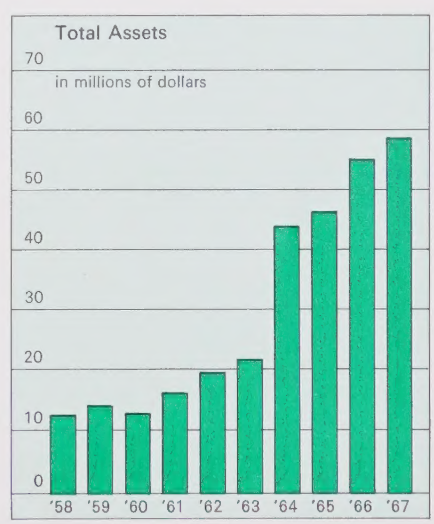


1964	1963	1962	1961	1960	1959	1958
$78,200,000	$29,700,000	$27,100,000	$20,500,000	$17,300,000	$18,400,000	$14,000,000
8,207,547	4,070,337	3,604,726	2,772,921	2,219,321	2,533,432	2,504,461
2,233,012	1,101,155	862,232	754,065	759,645	702,061	764,900
742,565	367,942	342,248	128,877	100,943	107,713	113,218
2,679,000	1,312,000	1,255,000	915,600	557,700	907,648	805,000
2,552,970	1,289,240	1,145,246	974,379	801,033	816,010	821,343
5,019,926	2,507,837	2,117,270	1,914,844	1,548,878	1,605,554	1,545,143
$ 314,349	$ 163,738	$ 164,054	$ 166,239	$ 171,305	$ 153,676	$ 41,975
642,163	356,491	293,196	249,596	243,315	228,678	185,919
.34	.25	.21	.18	.18	.18	.17
1.18	.79	.71	.58	.47	.51	.61
2.48	1.64	1.40	1.26	1.02	1.11	1.18
1,596,458	769,011	687,996	558,544	386,413	433,656	593,449
13,843,114	8,010,801	7,145,860	6,431,968	5,793,726	5,445,309	4,910,723
7.31	5.62	5.12	4.64	4.28	4.16	3.87
1,893,882	1,425,968	1,396,168	1,386,648	1,351,768	1,308,992	1,271,000
$16,455,036	$ 8,469,724	$ 9,169,573	$ 5,826,431	$ 5,160,066	$ 4,248,977	$ 5,052,777
15,587,150	7,802,154	6,684,542	6,147,759	5,633,898	5,509,788	5,022,478
2,228,633	1,219,131	1,193,659	735,884	2,641†	1,188,171	567,716
44,011,961	21,812,968	19,800,250	16,280,857	12,945,385	14,191,483	12,500,796

†Arising from fixed asset additions $889,614, less proceeds from disposal of fixed assets—$886,973.







ANTHES IMPERIAL LIMITED

Head Office: 2 International Boulevard, Toronto, Ontario

Operating Divisions	Main Offices and Plants
Canada	
Anthes Eastern	Toronto, Ontario
	St. Catharines, Ontario
	St. Jean, Quebec
Anthes Western	Winnipeg, Manitoba
	Edmonton, Alberta
	Calgary, Alberta
Anthes Steel Products	Toronto, Ontario
Anthes Equipment	Port Credit, Ontario
Love & McDougall	Toronto, Ontario
National Oxygen	Oakville, Ontario
Office Specialty	Newmarket, Ontario
	Holland Landing, Ontario
	Brampton, Ontario
Anthes Business Forms	Toronto, Ontario
Arco Automatic Retail	Toronto, Ontario
United States	
John Wood	East Orange, New Jersey
Bennett Pump	Muskegon and Hart, Michigan
Industrial Products	Conshohocken, Pennsylvania
Superior	St. Paul, Minnesota
Multiplex Company	St. Louis, Missouri
Italy	
Bennett-Italiana	Milano, Italy
Overseas Marketing Subsidiaries	
John Wood International Corp.	New York, New York
John Wood Pan American Corp.	New York, New York
Affiliated Companies	
Bennett & Sauser AG.	Solothurn, Switzerland
John Wood Universal, S.A.	Zurich, Switzerland
Industrias Guillermo Murguia, S.A.	Mexico City, Mexico

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